

## Message Text

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ACTION EB-11

INFO OCT-01 AF-10 EUR-25 ISO-00 AEC-11 AID-20 CEA-02

CIAE-00 CIEP-02 COME-00 DODE-00 FEA-02 FPC-01 H-03

INR-10 INT-08 L-03 NSAE-00 NSC-10 OMB-01 PM-07 RSC-01

SAM-01 SCI-06 SPC-03 SS-20 STR-08 TRSE-00 PRS-01 PA-04

USIA-15 DRC-01 NEA-10 /197 W

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R 221230Z FEB 74

FM AMEMBASSY VALLETTA

TO SECSTATE WASHDC 5278

INFO AMEMBASSY LONDON

AMEMBASSY ROME

AMEMBASSY TRIPOLI

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E.O. 11652: ADS DECLAS 2/21/75

TAGS: ENRG, MT

SUBJ: ENERGY:NEW ELECTRICITY AND GAS RATES

REF: A. VALLETTA 252 B. VALLETTA 152 C. VALLETTA 091

1. PM MINTOFF APPEALED IN TV ADDRESS FEB 20 FOR NATIONAL UNITY "TO HELP MALTA SURVIVE DIFFICULT TIMES AHEAD" IN VIEW WORLD ENERGY CRISIS. IN INTRODUCING NEW ELECTRICITY AND GAS RATES AND SUBSIDY PROGRAM FOR INDUSTRIAL FUEL OIL, MINTOFF ASKED PUBLIC TO CURB EXCESSIVE USE LUXURIES IN DAILY LIFE AND GIVE PREFERENCE TO MALTESE PRODUCTS.

2. NEW ELECTRICITY RATES FOR HOMES WILL INCLUDE: THREE MALTA POUNDS (ONE MALTA POUND EQUALS APPROXIMATELY 2.56 DOLLARS) PER QUARTER METER CHARGE, WHICH WILL ENTITLE HOLDER TO 100 FREE UNITS OF ELECTRICITY. (THIS MEANS RATE OF FIRST 100 UNITS

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WILL BE THREE MALTA CENTS PER UNIT. EVERY ADDITIONAL UNIT WILL

BE CHARGED AT RATE OF 2 MALTA CENTS PER UNIT. FOR TYPICAL CONSUMER OLD RATE WORKED OUT TO 2.4 MALTA CENTS PER UNIT FOR FIRST 50 TO 60 UNITS, AFTER WHICH RATE WENT DOWN TO ONE CENT PER UNIT. MINTOFF, THEREFORE, EFFECTIVELY DOUBLED THE COST OF ELECTRICITY FOR HOUSEHOLD CONSUMERS. THOSE ON SOCIAL ASSISTANCE OR NON CONTRIBUTORY PENSION WILL RECEIVE SMALL SUBSIDY, I.E. PER QUARTER METER CHARGE WILL BE 1.5 MALTA POUNDS.

3. NEW COMMERCIAL RATES FOR SHOPS AND BUSINESS PREMISES WILL BE FOUR MALTA POUNDS PER QUARTER WITH 100 FREE UNITS. THEREAFTER CHARGE TO BE 2.4 MALTA CENTS PER UNIT. WHILE THIS REPRESENTS INCREASED COST FOR INITIAL 100 UNITS, THE BASIC RATE OF CONSUMPTION AFTER THIS MINIMAL AMOUNT REMAINS THE SAME AS THE OLD RATE, I.E. 2.4 MALTA CENTS.

4. INDUSTRIES WILL BE CHARGED AT THE RATE OF EIGHT MALTA POUNDS PER KILOWATT OF MAXIMUM DEMAND PER ANNUM FOR POWER CONSUMPTION. FOR THE FIRST 10,000 UNITS OF LIGHTING SUPPLY THE RATE WILL BE 2.2 MALTA CENTS PER UNIT AND 1.9 MALTA CENTS PER UNIT OVER 10,000 UNITS PER QUARTER. THE OLD MAXIMUM DEMAND CHARGE WAS SIX MALTA POUNDS PER KILOWATT FOR POWER SUPPLY AND SIX MILS PER UNIT FOR LIGHTING. IN EFFECT, THEREFORE, THE INCREASE FOR INDUSTRIES WILL BE 33 PERCENT FOR POWER SUPPLY AND UP TO 375 PERCENT FOR LIGHTING.

5. MINTOFF ALSO ANNOUNCED FURTHER PRICE INCREASES FOR LIQUIFIED PETROLEUM GAS, UP FROM ONE MALTA POUND 30 CENTS TO 1.95 MALTA POUNDS PER TEN KILOGRAM CYLINDER AND SIMILAR INCREASES FOR LARGER SIZE CONTAINERS. THE CHANGE FOR PIPED TOWN GAS WAS FURTHER INCREASED FROM 1.3 MALTA POUNDS TO 2.15 MALTA POUNDS PER THOUSAND CUBIC FEET.

6. FINALLY, MINTOFF ANNOUNCED SUBSIDIZED PRICE SYSTEM FOR FUEL OIL FOR INDUSTRIES, THEREBY MITIGATING THE POTENTIAL ADVERSE EFFECT ON THE COST OF LIVING OF FUEL PRICE INCREASES REPORTED IN REFTEL A. FUEL PRICE FOR BAKERIES, FOR EXAMPLE DROPPED FROM APPROXIMATELY FIFTY MALTA POUNDS PER TON TO THIRTEEN MALTA POUNDS PER TON. OTHER GRADES OF FUEL OIL USED BY INDUSTRIES DECREASED FROM AVERAGE 50 MALTA POUNDS TO 10, 30, 25, AND 22 MALTA POUNDS PER TON. OWNERS OF BAKERIES AND INDUSTRIES WILL BE REQUIRED TO OBTAIN SUBSIDIZED FUEL VOUCHER FROM MINISTRY OF LIMITED OFFICIAL USE

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INDUSTRY AND TRADE IN ORDER TO PREVENT BLACK MARKET.

7. COMMENT: WHILE THESE LATEST FUEL PRICE CHANGES HAVE PLEASED FEW, IF ANY, OF MINTOFF'S SUPPORTERS AND OPPONENTS, THEY APPEAR TO REPRESENT A CONSIDERED ATTEMPT TO COPE WITH THE EFFECTS OF THE WORLD ENERGY CRISIS ON THE MALTA ECONOMY. EVERYONE IS HURT BY THE PRICE INCREASES. MINTOFF HAS TRIED, NEVERTHELESS, TO DISTRIBUTE THE BURDEN IN A FASHION WHICH HE APPARENTLY

BELEIVES WILL CAUSE THE LEAST DISLOCATION TO MALTA'S ECONOMIC DEVELOPMENT. SURPRISINGLY, THE COMMERCIAL SECTOR APPEARS TO COME OFF BEST. THE FUEL PRICE SUBSIDY SEEMS DESIGNED TO PROTECT SMALL INDUSTRIES WHICH SUPPLY THE LOCAL MARKET. THE CURRENT MLP ADMINISTRATION HAS NOT BALKED AT SUBSIDIZING CONSUMER ORIENTED INDUSTRIES AND BASIC MECESSITIES IN AN ATTEMPT TO DAMPEN PRESSURE FOR FURTHER WAGE AND PRICE INCREASES. BEFORE THE INTRODUCTION OF THIS LATEST SUBSIDY PROGRAM, PM MINTOFF HAD ASSERTED IN PARLIAMENT THAT GOVERNMENT SUBSIDIES WERE EXPECTED TO REACH FIVE MILLION POUNDS DURING THE CURRENT FINANCIAL YEAR, WITH THE ADDITIONAL FUEL SUBSIDIES, THIS EXPENDITURE MAY GO BEYOND 20 MILLION MALTA POUNDS. MOREOVER, SINCE THE INCREASE FOR INDUSTRIAL POWER IS COMPARATIVELY MODEST, MINTOFF APPEARS TO BE TRYING TO PROTECT MALTA'S INDUSTRIAL COMPETITIVENESS.

8. IT IS ALSO OF INTEREST TO NOTE THAT MINTOFF HAS ALREADY LARGELY DISARMED THE OPPOSITION PRIOR TO FEB 20 BY LEADING THEM TO BELEIVE ELECTRICITY RATES INCREASES WOULD BE CONSIDERABLY HIGHER THAN THOSE ACTUALLY ANNOUNCED. TRADE MINISTRY OFFICIALS REPORTEDLY INFORMED SOME INDUSTRIES, FOR EXAMPLE, THAT MINIMUM LIGHTING RATE WOULD INCREASE FROM 6 MILS TO 3.5 MVALTA CENTS PER UNIT. IN FACT, ANNOUNCED INCREASES FROM 6 MILS TO 1.9 MALTA CENTS, HAVING ALREADY LOUDLY COMPLAINED ABOUT ANTICIPATED LARGER INCREASES, OPPOSITION IS NOW IN LESS ADVANTAGEOUS POSITION FOR CRITICIZING ACTUAL RISE.GETZ

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## Message Attributes

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**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PETROLEUM, SUPPLIES, PRICES, RATIONING, GASES, PUBLIC ATTITUDES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 22 FEB 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** morefirh  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
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**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** n/a  
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**Handling Restrictions:** n/a  
**Image Path:**  
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**Line Count:** 141  
**Locator:** TEXT ON-LINE  
**Office:** ACTION EB  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:**  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** A. VALLETTA 252 B. VALLETTA 152 C. V, ALLETTA 091  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** morefirh  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 22 MAY 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <22 MAY 2002 by boyleja>; APPROVED <10 JUN 2002 by morefirh>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** ENERGY:NEW ELECTRICITY AND GAS RATES  
**TAGS:** ENRG, MT  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005